



**U.S. Department of Justice
U.S. Attorney's Office
Western District of Texas**

Johnny Sutton, U.S. Attorney

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Shana Jones, Special Assistant
Daryl Fields, Public Affairs Officer
610 N.W. Loop 410
San Antonio, Texas 78216
(210) 384-7452

FEDERAL JURY CONVICTS HOUSTON AREA RADIOLOGIST ON TAX CHARGES

United States Attorney Johnny Sutton and the Department of Justice announced that a federal jury convicted Charles Thomas Clayton, MD, of The Woodlands, Texas, of eight tax charges. Late yesterday afternoon, following a six-day trial before United States District Judge Sam Sparks, the jury found that Clayton filed false amended tax returns for the calendar years 1997 and 1998, claiming a refund of over \$160,000 for those years. The jury also found that Clayton failed to file timely federal personal income tax returns for calendar years 1999-2004, despite receiving over \$1.3 million in gross income during those years.

“Our nation's ability to collect taxes is dependant on people being honest and paying their fair share. The vast majority of people are willing to do this, but those who aren't must be held accountable. This conviction is a reminder that the obligation to pay taxes is not negotiable,” stated United States Attorney Johnny Sutton.

Between at least 1996 and 2001, Clayton practiced radiology in Nacogdoches, Texas. He subsequently moved to The Woodlands, Texas, and currently practices in the Houston area. Clayton's defense at trial centered on the so-called “861 argument” – a claim that domestically-earned income is not taxable. Evidence at trial revealed that Clayton disregarded multiple written notices from the Internal Revenue Service informing him that his 861 argument was without merit. He had also been told the same thing by two Certified Public Accountants.

As a result of the jury's verdict, Clayton faces up to three years in federal prison on each count of filing false tax returns and up to 12 months on each count of willful failure to file tax returns. Sentencing is scheduled for 9:00am on December 15, 2006, before Judge Sparks.

This case was investigated by special agents with the Houston field office of the Internal Revenue Service-Criminal Investigation and was being prosecuted for the government by Assistant United States Attorney Elizabeth Cottingham and Trial Attorney Jen Ihlo from the U.S. Department of Justice Tax Division.

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